

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: July 1, 2014

Monthly General Fund Receipts through June 30, 2014

The attached spreadsheet presents FY 2014 General Fund total net receipts with comparable figures for actual FY 2013. The figures can be compared to the FY 2014 estimate of \$6.476 billion set by the Revenue Estimating Conference (REC) on March 20, 2014. The FY 2014 estimate is a decrease of \$176.0 million (-2.6%) compared to actual FY 2013 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

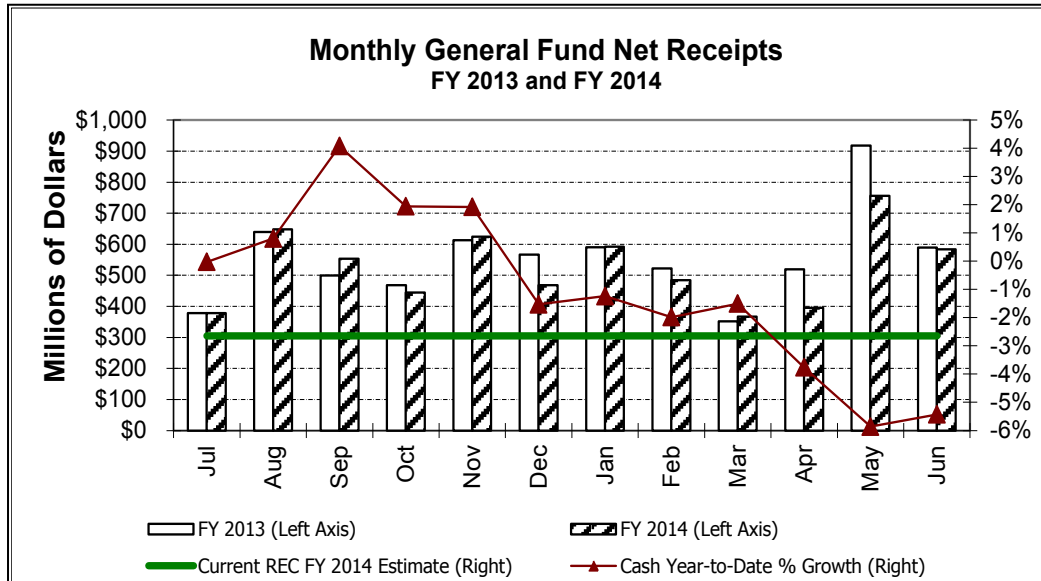
FY 2014 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = -2.6%						
Year-to-Date Ending:	Year-to-Date FY 2013	Year-to-Date FY 2014	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
July	\$378.2	\$378.2	\$0.0	0.0%	-\$10.0	\$10.0
Aug	1,017.8	1,026.1	8.3	0.8%	-26.9	35.2
Sept	1,517.2	1,579.2	62.0	4.1%	-40.1	102.1
Oct	1,985.1	2,024.0	38.9	2.0%	-52.5	91.4
Nov	2,597.7	2,647.9	50.2	1.9%	-68.7	118.9
Dec	3,164.2	3,115.9	-48.3	-1.5%	-83.7	35.4
Jan	3,754.4	3,708.0	-46.4	-1.2%	-99.3	52.9
Feb	4,276.3	4,191.8	-84.5	-2.0%	-113.1	28.6
Mar	4,628.3	4,558.9	-69.4	-1.5%	-122.5	53.1
Apr	5,147.6	4,954.0	-193.6	-3.8%	-136.2	-57.4
May	6,065.5	5,710.0	-355.5	-5.9%	-160.5	-195.0
June	6,654.9	6,293.5	-361.4	-5.4%	-176.1	-185.3
Year end	6,651.8					

Overview of Current Situation

June 2014 net General Fund revenue was \$5.9 million (-1.0%) below the June 2013 revenue level. General Fund net revenues ended the cash fiscal year \$361.4 million (-5.4%) less than FY 2013 (final FY 2014 net revenue will not be available until September). Major sources of revenue and their contribution to the FY 2014 change include:

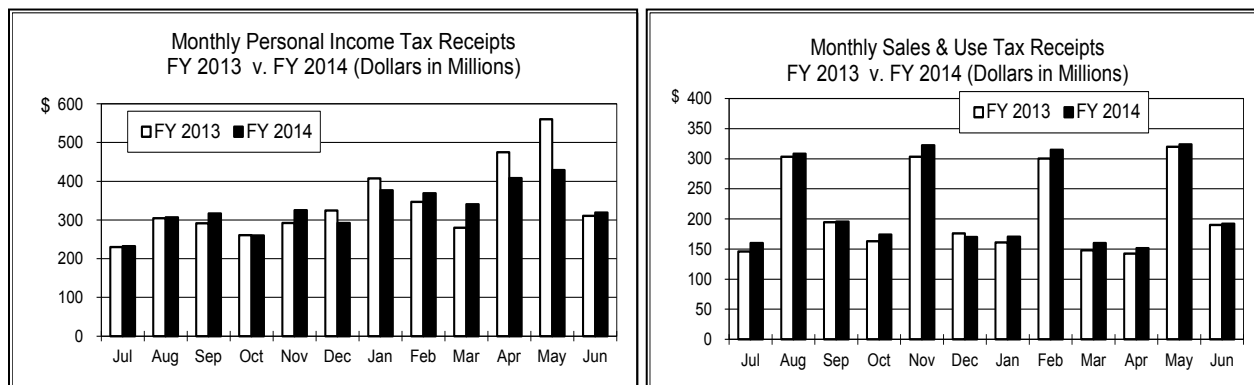
- Personal income tax (negative \$109.1 million, -2.7%)
- Sales/use tax (positive \$94.7 million, 3.7%)

- Corporate tax (negative \$5.7 million, -1.0%)
- Other taxes (negative \$115.5 million, -31.1%)
- Other receipts (negative \$40.9 million, -12.4%)
- Tax refunds not including school infrastructure refunds (negative \$141.1 million)
- School infrastructure sales/use tax refunds (negative \$43.9 million)



Personal Income Tax revenue received in June totaled \$319.1 million, an increase of \$8.5 million (2.7%) compared to June 2013.

The FY 2014 REC income tax estimate of \$4.043 billion represents a projected decrease of 1.0% compared to actual FY 2013. Gross personal income tax receipts ended the cash year \$109.1 (-2.7%) below FY 2013. By subcategory, withholding payments increased \$100.6 million (3.4%), estimate payments decreased \$60.7 million (-11.4%), and payments with returns decreased \$149.0 million (-25.9%). The following chart compares FY 2014 monthly income tax receipts from the three personal income tax subcategories with FY 2013.



Sales/Use Tax receipts received in June totaled \$192.0 million, an increase of \$1.9 million (1.0%) compared to June 2013.

The REC estimate for FY 2014 sales/use tax receipts is \$2.650 billion, an increase of 4.0% compared to actual FY 2013. Gross sales/use tax receipts ended the cash year at \$2,642.3

million, an increase of \$94.7 million (3.7%) compared to FY 2013. The preceding chart compares FY 2014 monthly sales/use tax receipts with FY 2013.

Corporate Tax receipts received in June totaled \$79.7 million, an increase of \$9.6 million (13.7%) compared to June 2013.

The REC estimate for FY 2014 corporate tax revenue is \$585.5 million, an increase of 5.4% compared to actual FY 2013. Gross corporate tax receipts ended the cash year at \$549.6 million, a decrease of \$5.7 million (-1.0%) compared to FY 2013.

Other tax receipts received in June totaled \$36.4 million, a decrease of \$16.2 million (-30.8%) compared to June 2013. Other tax receipts were negatively impacted by the law change that required all cigarette and tobacco tax to be deposited in the Health Care Trust Fund (HCTF) for the fiscal year.

The REC estimate for FY 2014 other tax revenue is \$260.3 million, a decrease of 30.0% compared to actual FY 2013. The cash year ending total for other tax receipts was \$256.1 million, a decrease of 31.1% compared to FY 2013.

Other receipts (nontax receipts) received in June totaled \$23.9 million, a decrease of \$3.7 million (-13.4%) compared to June 2013.

The REC estimate for FY 2014 other receipts revenue is \$277.8 million, a decrease of 15.8% compared to actual FY 2013. Other receipts ended the cash year at 289.0 million, a decrease of 12.4% compared to FY 2013.

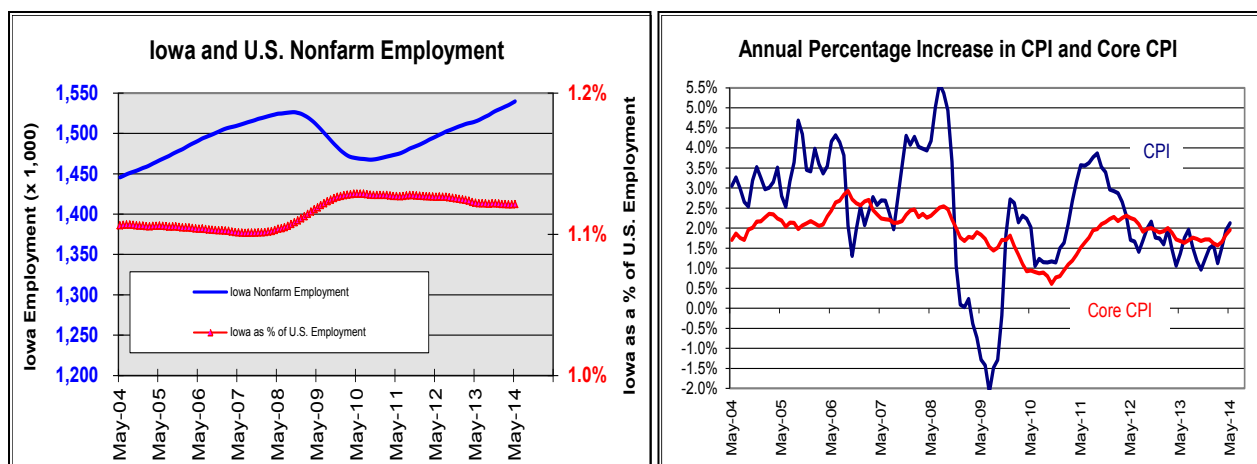
Tax Refunds issued in June totaled \$33.0 million, an increase of \$2.3 million (7.5%) compared to June 2013. In addition, school infrastructure refunds totaled \$34.8 million, an increase of \$3.9 million compared to June 2013. For the cash year, regular tax refunds increased \$141.1 million and school infrastructure refunds increased by \$43.9 million. Tax refund accounts remain open through August 31, so refunds issued over the next two months will be charged to FY 2013.

Status of the Economy

Iowa nonfarm employment was reported at 1,568,100 for the month of May 2014 (not seasonally adjusted), 28,000 higher (1.9%) than May 2013.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,539,800, resulting in an annual average Iowa nonfarm employment level 13,400 jobs above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Despite modest increases in three of the last four months, Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010.



The Consumer Price Index (CPI-U) through May 2014 was 237.9 (1983/84=100). Consumer prices increased 0.35% in May (not seasonally adjusted). The annual rate of inflation increased to 2.1% from the previous month's level of 2.0% and stands at its highest level since October 2012.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.22% in May and totaled 2.0% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are up 3.3% year-over-year while food prices were up 2.4%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/publications/fiscal/dailyReceipts>.

GENERAL FUND RECEIPTS - FY 2013 vs. FY 2014 July 1 through June 30 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 13 Actual Compared to FY 14 REC Estimate		
	FY 2013	FY 2014	Year to Date % Change	June % Change	Actual FY 2013	Estimate FY 2014	Projected % Change
Personal Income Tax	\$ 4,083.9	\$ 3,974.8	-2.7%	2.7%	\$ 4,083.9	\$ 4,042.8	-1.0%
Sales/Use Tax	2,547.6	2,642.3	3.7%	1.0%	2,547.6	2,649.8	4.0%
Corporate Income Tax	555.3	549.6	-1.0%	13.7%	555.3	585.5	5.4%
Inheritance Tax	86.8	91.0	4.8%	65.3%	86.8	91.4	5.3%
Insurance Premium Tax	104.9	105.5	0.6%	-9.9%	104.9	105.3	0.4%
Cigarette Tax	102.7	0.0	-100.0%	-100.0%	102.7	0.0	-100.0%
Tobacco Tax	18.7	1.4	-92.5%	-100.0%	18.7	1.4	-92.5%
Beer Tax	14.5	14.1	-2.8%	-7.1%	14.5	14.5	0.0%
Franchise Tax	42.9	42.9	0.0%	51.0%	42.9	46.6	8.6%
Miscellaneous Tax	1.1	1.2	0.0%	0.0%	1.1	1.1	0.0%
Total Gross Taxes	\$ 7,558.5	\$ 7,423.0	-1.8%	0.6%	\$ 7,558.4	\$ 7,538.4	-0.3%
Institutional Payments	14.3	12.8	-10.5%	-46.7%	14.3	13.3	-7.0%
Liquor Profits	96.0	96.6	0.6%	-26.0%	96.1	95.0	-1.1%
Interest	2.6	3.4	30.8%	150.0%	2.6	3.5	34.6%
Fees	29.1	28.8	-1.0%	-10.0%	29.1	26.7	-8.2%
Judicial Revenue	108.0	104.0	-3.7%	-5.4%	108.0	102.6	-5.0%
Miscellaneous Receipts	39.9	43.4	8.8%	3.6%	39.9	36.7	-8.0%
Racing and Gaming Receipts	40.0	0.0	-100.0%	0.0%	40.0	0.0	-100.0%
TOTAL GROSS RECEIPTS	\$ 7,888.4	\$ 7,712.0	-2.2%	0.0%	\$ 7,888.4	\$ 7,816.2	-0.9%
Accrued Revenue-Net					13.1	41.6	
Tax Refunds *	-822.2	-963.3	17.2%	7.5%	-830.5	-956.0	15.1%
School Infrast. Refunds *	-411.3	-455.2	10.7%	12.6%	-419.2	-426.0	1.6%
TOTAL NET RECEIPTS	\$ 6,654.9	\$ 6,293.5	-5.4%	-1.0%	\$ 6,651.8	\$ 6,475.8	-2.6%
* For FY 2013 and FY 2014 Year-to-Date columns, refunds are presented on a cash basis. For FY 2013 Actual and FY 2014 Estimate, refunds are presented on a fiscal year basis.							